

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

Number: **201144033**  
Release Date: 11/4/2011

**Employer Identification Number:**

**Contact Person - ID Number:**

**Date:** August 10, 2011

**Contact Telephone Number:**

LEGEND

UIL 4945.04-04

X = school  
Y = dollar amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated August 18, 2010.

Our records indicate that you were recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

The purpose of the program is to provide one scholarship to deserving high school seniors who attend X. The scholarship will be awarded annually to a deserving senior who exemplifies academic excellence, self-expression, commitment to life-long learning, and social responsibility. The scholarship will enable the recipient to continue their studies at the college or university of their choice in hopes of becoming energized citizen committed to leading their community by example towards a peaceful and healthful environment.

An annual announcement describing the scholarship will be made in senior English classes and posted on the website of X prior to Memorial Day of each graduation year. Applications will be made available to all high school seniors at X through the student service offices, English classes and counseling offices. A typical senior class at X has approximately 120 students, each of whom is eligible to apply for the scholarship.

Applications will be judged using a five-point rubric according to the following criteria: (i) Up to five points will be awarded for academic performance as reflected on an applicant's high school transcript based upon grade point average. (ii) Up to five points will be awarded for required essay #1 ("I deserve this scholarship because...") with scoring based upon content, mechanics, and life circumstance. Five points will be awarded to an essay which is outstanding and well organized in all areas, four points for an above-average essay with few major errors, three points for an essay which is good in all areas, two points for few errors in mechanics and content and one point for essay with many errors in mechanics and/or the content is unclear or incomplete. (iii) Up to five points will be awarded for required essay #2 ("I want to go to college because...") with scoring similar to that of required essay #1. (iv) Financial need, with up to five points

awarded based on information provided on X's free and reduced lunch form submitted to X at the start of the school year, with five points awarded to applications with extremely limited resources with information clearly indicating a clear and honest need for financial support. Four points will be awarded to applications with limited resources and without a scholarship the student will most likely not attend college without financial assistance. Three points will be awarded to applications that have secured other forms of financial aid from other sources and will probably attend college without securing a scholarship. Two points will be given to applicants that demonstrate limited need and it is apparent the applicant will be able to attend college without the scholarship. One point will be given to applicants that do not demonstrate any financial need or appear to have submitted false information. (v) Up to five points will also be awarded for community service, evaluated based upon information submitted by the applicant and points will be awarded as follows: five points for fifty hours or more per year of documented community service; four points awarded for forty to forty-nine hours; three points for thirty to thirty-nine hours, two points for twenty –five to twenty-nine hours and only one point for less than twenty-five hours of community service.

In determining the applicant's scoring, one representative from each of X's curricular departments will read each application and provide a score from one to five for each essay. The college counselor will read all applications and apply scores from one to five for financial need. The Registrar will score all applicants based on community service hours submitted as of the date of the application. To insure objectivity and fairness, all applications will have all students' identifying information "blacked out" prior to determining scoring. In the event that there is a scoring tie among applicants, the community service forms will be evaluated and scored by X's administrative team which includes the principal, assistant principal, counselors, registrar, administrative assistants and coordinators. The applicant with the highest score average will be recommended to you for award of the scholarships.

No relatives of members of the selection committee, or your officers, directors, or substantial contributors are eligible for awards made under the scholarship program.

Upon receiving acceptance of the recommended applicant from you, the principal of X will notify the recipient of their selection. Upon both the parents or legal guardian and the applicant signing a scholarship acceptance form, you will remit a payment of \$Y directly to the college or university of the winning applicant's choice which must be defined in IRC section 170(b)(1)(A)(ii).

The scholarship funds provided by you will be paid directly to the educational institution attended by the recipient rather than to the recipient. The selected educational institution will use the funds exclusively to defray the recipient's educational expenses. You will receive a copy of a verified report from the educational institution attended by the recipient at least once a year which will reflect the recipient's attendance and performance.

You will designate a committee to review and follow-up on each recipient's student progress reports. If you discovers a misuse of scholarship funds, you will take all reasonable and appropriate steps, including legal actions, to recover the misused funds. You will not advance any further scholarship funds on behalf of the grantee until it is assured that no further misuse will take place.

In the event that a scholarship recipient stops, withdraws or leaves school, you will cease any further payments to the recipient's educational institution and will seek the return of any portion of the recipient's tuition which has been advanced and remains refundable. You will not advance any further scholarship aid for the recipient unless they are readmitted to their educational institution in good standing and on a full-time basis.

The scholarship shall be renewed as long as you have no information indicating that the original scholarship is being used for any purposes other than education at a qualified institution and any reports required by you or the institution which are due have in fact been furnished.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards

granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of sections 4945(g)(1) and 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner  
Director, Exempt Organizations

Enclosure  
Notice 437  
Redacted letter copy